

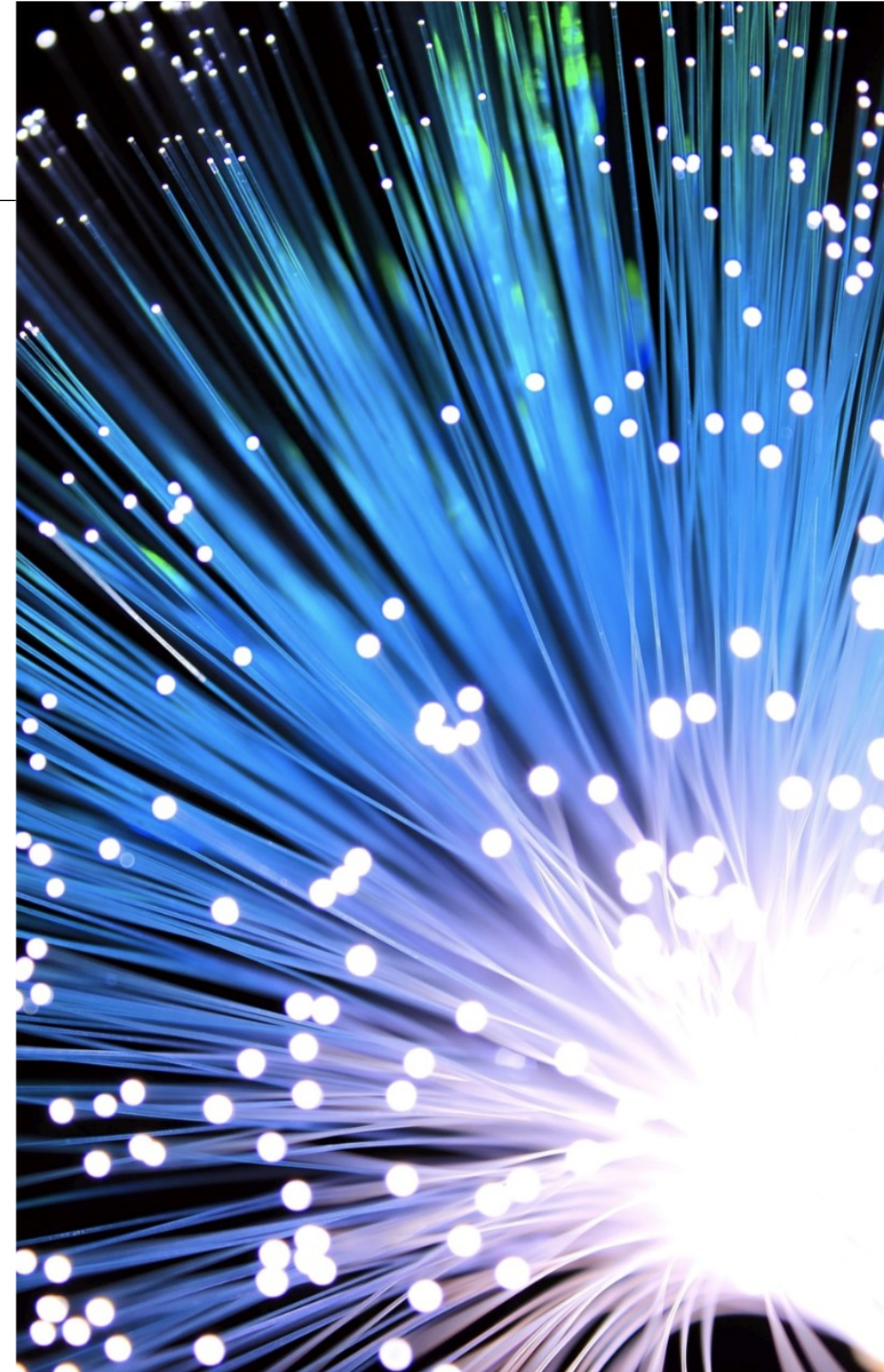


BROADBAND COMMUNITY FORUM

October 1, 2019

Background

- City operates over 330 miles of fiber
- Fiber used by Polk County Schools, local libraries, public safety and substation monitoring
- City leases fiber to local businesses like Lakeland Regional Health and other large users that require ultra-high-speed internet
- Is there a desire to leverage the City's fiber backbone and develop residential broadband services?



Magellan Advisors

First project was to develop the Lakeland Strategic Broadband Plan

- Contract signed in May 2015
- Final published plan July 2016

Broadband Business Plan

- Contract signed November 2018
- Final plan published September 2019



Broadband Business Plan Project Timeline





Magellan Deliverables

- Deployment Options
- Key Assumptions
- Services & Pricing
- Financial Results
- Implementation & Buildout Strategies

Fiberhoods

1

Service available based on number of customers that sign-up in each area

- 3-5 Years
- Up to 20,000 Homes & Businesses

Citywide

2



Service available to homes and businesses in the City limits

- 3-5 Years
- Up to 44,000 Homes & Businesses

Citywide + County

3

Service available to homes and businesses in the City limits and County

- 3-7 Years
- Up to 112,000 Homes & Businesses

Key Assumptions



- Deploy fiber to homes and businesses within the City limits = 44,000 total premises
- Offer bundled packages with Internet, television and telephone services
- 38% residential, 41% commercial take rate
- Two-year build-out before first service is available
- Pricing levels based on creating the most competitive packages at the lowest rates
- Financing and capital investment

Residential Services & Pricing

**100% Fiber
Connection -
Symmetrical with
same upload and
download speeds!**

Services	Packages	Description
Internet	Extreme	1 Gigabit Internet
	Power	400 Megabit
	Value	200 Megabit
	Starter	25 Megabit
Double-Play	Premium	1 Gigabit Internet + Premium Television
	Preferred	400 Megabit Internet + Expanded Digital Television
	Value	200 Megabit Internet + Basic Television
Triple Play	Premium	1 Gigabit Internet + Premium Television + Home Phone
	Preferred	400 Megabit Internet + Expanded Digital Television + Home Phone
	Value	200 Megabit Internet + Basic Television + Home Phone

Proposed Pricing*

Residential Internet

1 Gigabit	\$99.99
400 Megabit	\$59.99
200 Megabit	\$49.99
25 Megabit	\$19.99

***Does not include fees & taxes**



Proposed Pricing*

Residential Double Play

1 Gigabit + Premium TV

\$164.99

400 Megabit + Expanded TV

\$134.99

200 Megabit + Basic TV \$
74.99

***Does not include fees & taxes**

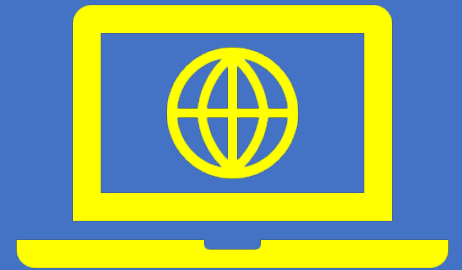


Proposed Pricing*

Residential Triple Play

1 Gigabit + Premium TV + Phone	\$199.99
400 Megabit + Expanded TV + Phone	\$174.
200 Megabit + Basic TV + Phone	\$119.99

***Does not include fees & taxes**

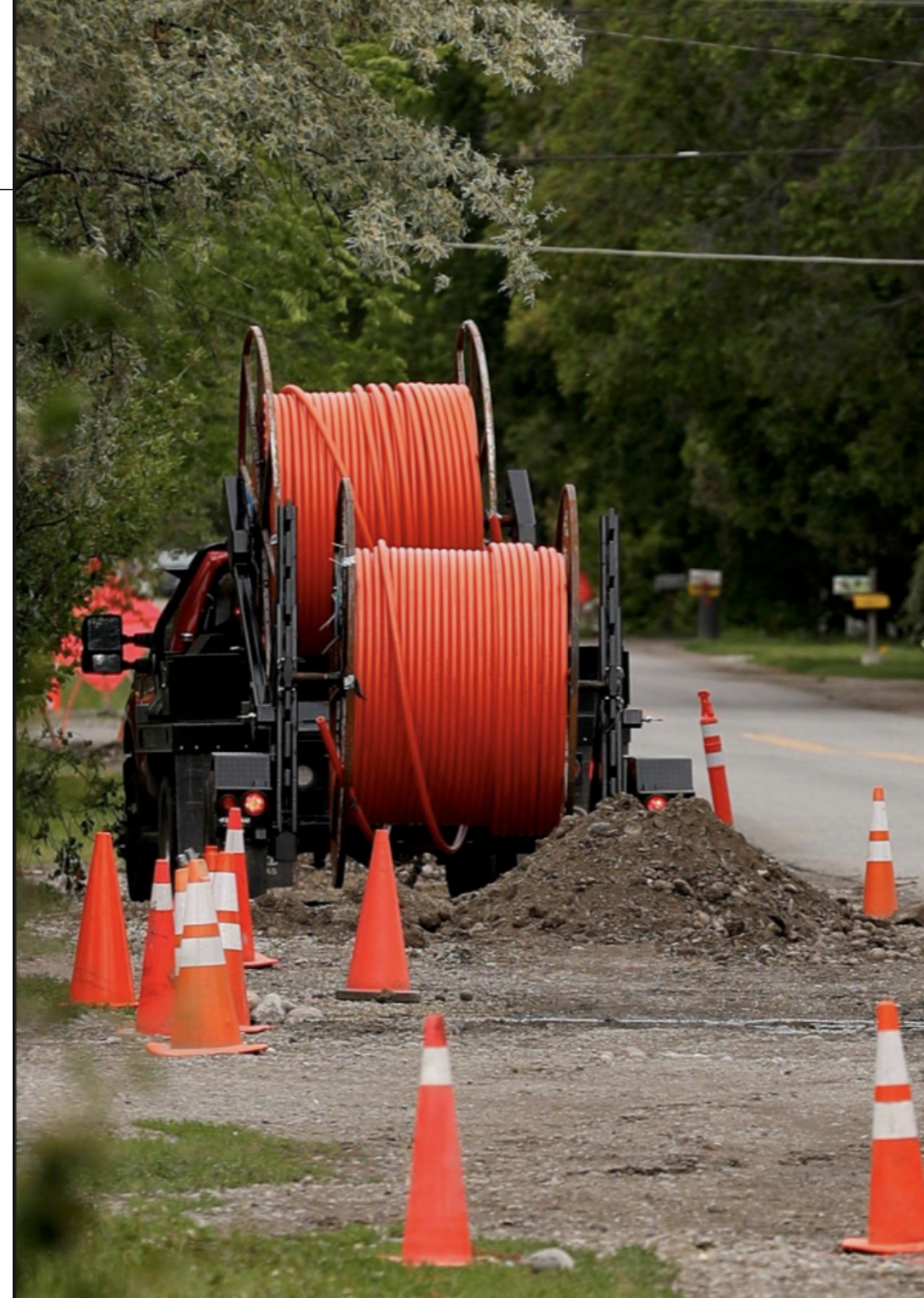


Funding Requirements (Effective Take Rate: 38% Residential, 41% Commercial)

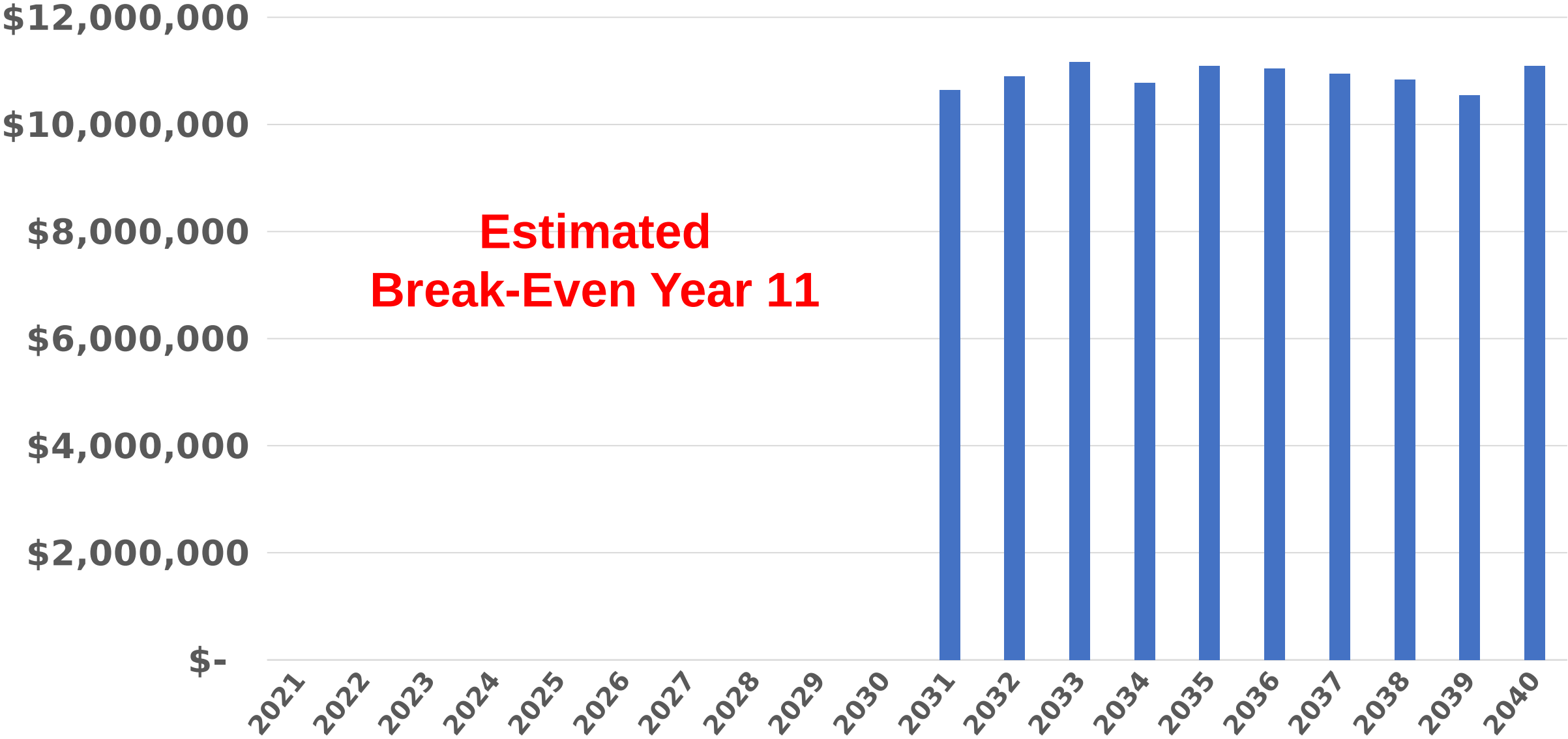
Funding Category	Total Costs
Service Area	44,000 Homes & Businesses
Fiber Feeder/Distribution	\$53,308,812
Fiber Service Drops	\$15,713,504
Equipment & Implementation	\$10,686,640
Building Improvements	\$800,000
Total Capital Costs	<u>\$79,593,698</u>
Working Capital	\$17,000,000
Total Investment Required	<u>\$97,508,956</u>

Implementation

- Start with Engineering
- 1st Year – Phase One Construction
- 2nd Year – First Customers Connected
- 3rd & 4th Year – Phase Two Construction
- 5th & 6th Year – Phase Three Construction
- 7th & 8th Year – Future Phase Construction



Estimated Annual Profits



Impact of Take Rates on Annual Revenues

	20%	25%	30%	35%	38%	40%	45%	50%
Estimated Annual Revenues (millions)	\$(3.3)M	\$(1.2)M	\$ 1.9M	\$ 4.6M	\$ 6.7M	\$ 7.2M	\$ 9.9M	\$ 12.6M

Impact of Price Changes on Annual Revenues (Assumes 38% Take Rate)

		-30%	-20%	-10%	0%	10%	20%	30%
Estimated Annual Revenues (millions)		\$(2.5)M	\$ -	\$ 3.7M	\$ 6.7M	\$ 9.2M	\$ 11.9M	\$ 14.7M


Possible Funding Alternatives

Millage increase (Taxes)

- If allowable per State Statute, a millage increase might be used to pay for the required working capital of \$17M
- The principal and interest payments on the \$17M could be financed between 5 – 10 years, which would allow for a sunset of that millage increase
- The principal and interest payments on the additional \$80M required for the project would be paid in the first few years from the \$17M in working capital. Once the take rate gets high enough, these payments would come from the


Potential cost to borrow \$17m for 5 years and pay with millage increase

\$ 17,000,000 Principal
 3.25% Taxable rate max for 5 years
 \$ 3,738,565 Annual Debt service for 5 years

5.4644	6.0396	Millage Rate
\$ 6,500,000,000	\$ 6,500,000,000	Est Taxable Value of entire City
\$ 35,518,600	\$ 39,257,400	Ad Valorem revenues
	\$ 3,738,800	0.5752 

Potential cost to borrow \$17m for 10 years and pay with millage increase

\$ 17,000,000 Principal
 3.50% Taxable rate max for 10 years
 \$ 2,044,103 Annual Debt service for 10 years

5.4644	5.7789	Millage Rate
\$ 6,500,000,000	\$ 6,500,000,000	Est Taxable Value of entire City
\$ 35,518,600	\$ 37,562,850	Ad Valorem revenues
	\$ 2,044,250	0.3145 

Possible Funding Alternatives (con't)

Special Assessment

- If a defined benefit is recognized for all homes and businesses within the City limits, a Special Assessment for the \$17M Working Capital or for the entire \$97M project may be possible
- The estimated assessment on \$17M for 44,000 businesses and homes would be approximately **\$386**
- The estimated assessment on \$97M for 44,000 businesses and homes would be approximately **\$2,205**

Proposed Benefits

- Increased Internet Speeds
- Reduced Cost to Consumer
- Enhanced Economic Development
- Reduced Lead Time for Services
- Better Customer Service
- Digital Divide Solutions
- Support Smart City Initiatives
- Opportunity to Support 5G
- Possible City Revenue Source



Proposed Risks

- Start up Cost = \$97M
- 10-Year Breakeven Point
- Possible Lawsuits
- State & Federal Rulings
- Buildout Cost Increases
- Competition Tactics
 - *Network Upgrade*
 - *Reduce Prices*
 - *Increase Internet Speeds*
 - *Lock Customer Contracts*
- Missed Assumptions



Public Comment

